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July 17, 2009

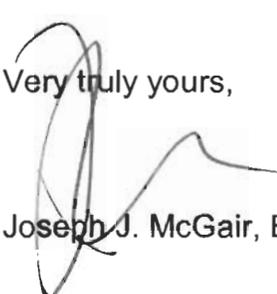
Luly E. Massaro
Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: PUC Docket No. 4061
Providence Water Supply Board

Dear Ms. Massaro,

Enclosed herewith you will find an original and nine copies of Prefiled Testimony of Christopher Woodcock on behalf of Kent County Water Authority. The same was e-mailed to the attached service list today. If you have any questions, please feel free to contact me.

Very truly yours,



Joseph J. McGair, Esq.

JJM:dd
Enc.
HAND-DELIVERED
Cc: Electronic service list

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RHODE ISLAND PUBLIC UTILITIES COMMISSION

**DOCKET NO. 4061
PROVIDENCE WATER**

**PREFILED TESTIMONY OF
CHRISTOPHER P.N. WOODCOCK
ON BEHALF OF
KENT COUNTY WATER AUTHORITY**

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**PREFILED TESTIMONY OF
CHRISTOPHER P.N. WOODCOCK**

5 **Q: Please state your name and business address?**

6 A: My name is Christopher P.N. Woodcock and my business address is 18 Increase
7 Ward Drive, Northborough, Massachusetts 01532.

8
9 **Q: By whom are you employed and in what capacity?**

10 A: I am the President of Woodcock & Associates, Inc. a consulting firm specializing in
11 water and wastewater rate and financial studies.

12
13 **Prior Experience**

14 **Q: Please describe your qualifications and experience.**

15 A: I have undergraduate degrees in Economics and in Civil Engineering from Tufts
16 University in Medford, Massachusetts. After graduating in 1974, I was employed by
17 the environmental consulting firm of Camp, Dresser, and McKee Inc. (CDM). For
18 approximately 18 months I worked in the firm's environmental engineering group
19 performing such tasks as designing water distribution and transmission pipes, sew-
20 er collection and interception systems, pumping facilities and portions of a wastewa-
21 ter treatment facility. From approximately January 1976, I worked in the firm's
22 management and financial consulting services group, gaining increasing responsi-
23 bility. At the time of my resignation, I was a corporate Vice President and appointed
24 the leader of the group overseeing all rate and financial studies. In my career, I
25 have worked on close to 400 water and wastewater rate and financial studies, pri-
26 marily in the United States, but also for government agencies overseas. I have also
27 worked on a number of engineering and financial feasibility studies in support of
28 revenue bond issues, I have helped draft and review revenue bond indentures, and
29 I worked on several valuation studies, capital improvement financing analyses, and
30 management audits of public works agencies. In addition to my professional expe-

1 rience I have also held elected and appointed positions on municipal boards over-
2 seeing public works functions.

3

4 **Q: Have you previously testified before state regulatory commissions or courts**
5 **on rate related matters?**

6 A: Yes, I have provided testimony on rate related matters before utility commissions in
7 Rhode Island, Maine, Connecticut, New York, New Hampshire, Texas, and Alberta,
8 Canada. I have also been retained as an expert witness on utility rate related mat-
9 ters in proceedings in state courts in Arkansas, Florida, Massachusetts, Michigan,
10 New Jersey, Maryland, Ohio, Virginia, and Pennsylvania, as well as the Federal
11 Court in Michigan. I have been selected to several arbitration panels related to dis-
12 putes over water rates and charges, I have provided testimony on rate related mat-
13 ters to the Michigan and Massachusetts legislatures, and I have provided testimony
14 at administrative hearings on a number of occasions.

15

16 **Q: Do you belong to any professional organizations or committees?**

17 A: Yes, I am a member of the Water Environment Federation, the Rhode Island Water
18 Works Association, the Massachusetts Water Works Association, the New England
19 Water Works Association, and the American Water Works Association. For the Wa-
20 ter Environment Federation, I was a member of the committee that prepared their
21 manual on Wastewater Rates and Financing. For the New England Water Associa-
22 tion, I am past chairman and a current member of the Financial Management Com-
23 mittee. In my capacity as President-Elect for the New England Water Works Asso-
24 ciation I also sit on the Executive Committee and the Board of Directors as well as
25 chairing and sitting on a number of other administrative committees. IN September
26 2009 I will become the President of the New England Water Works Association.
27 For the American Water Works Association, I am past chairman of the Financial
28 Management Committee and the Rates and Charges Committee that has prepared
29 the manuals on Revenue Requirements, Water Rates, Alternative Rate Structures,

1 and Water Rates and Related Charges. I have been reappointed to and am cur-
2 rently a member of the Rates & Charges Committee.

3 **Summary**

4 **Q: What is your role in this proceeding?**

5 A: I have been retained by the Kent County Water Authority (KCWA) to review the
6 April 30, 2009 rate filing by Providence Water in Docket 4061. I have been involved
7 in a similar capacity in Providence Water's rate filings for more than two decades.

8

9 **Q: Will you summarize your findings and conclusions?**

10 A: Providence Water has submitted an abbreviated rate filing under Section 2.10 of
11 The Commission's Rules of Practice and Procedure. The April 30, 2009 filing seeks
12 an across the board increase of 9.79%¹ to all rates and charges (excluding Sche-
13 dule F Terms and Conditions Fees).

14

15 The Commission's Rules for abbreviated filings include several restrictions including
16 (a) a prohibition to any significant change in rate design and (b) a requirement that
17 adjustments to the test year expenses be based on "known and measurable
18 changes" with estimates for general inflation or attrition precluded.

19

20 In general the Kent County Water Authority does not oppose the increase requested
21 by Providence Water. I am somewhat concerned that the requested increase in-
22 cludes estimates and projections for some accounts and I am disappointed that the
23 filing did not address the issue of unaccounted for water that we had raised in the
24 last rate filing.

25

26 **Q: Please discuss the question you raise about estimated costs.**

27 A: The Commission's Rules do not allow for estimated adjustments to the test year
28 expenses in an abbreviated filing; only known and measurable adjustments are

1 permitted. In its response to KCWA 1-2, Providence appears to admit that in some
2 cases projections were used. In Mr. Smith's testimony he uses terms such as:

- 3 • "averaging the projected amount" (pg 8, line 12),
- 4 • "projected rate year insurance expenses were determined based on the
5 estimated expenses" (pg 9, line 4),
- 6 • "Percent increases for Blue Cross/United Health and Delta Dental are
7 based on the percentage increase between the FY 2009 rates and the av-
8 erage of the FY 2007 and FY 2008 rates" (pg 9, line 28-29),
- 9 • "the PUC assessment was determined by increasing the test year ex-
10 pense by 5%" (pg 11, line 4),
- 11 • "other components of the regulatory expense are based on Providence
12 Water's estimates of the rate year" (pg 11, line 5),
- 13 • "the adjustments to various components were determined by comparing
14 the rate year estimates to the actual test year" (pg 11, line 8), and
- 15 • Chemical costs "were determined by applying projected unit prices" (pg
16 11, line 14),

17 Clearly these are not "known and measurable" adjustments but projections and es-
18 timates using inflationary or attrition adjustments. Providence Water's responses to
19 KCWA 1-2, 1-3, 1-6, and 1-7 reinforce this conclusion.

20
21 **Q: Do you recommend that the Commission disallow these estimated costs?**

22 A: No I do not. It is clear that in past abbreviated filings that the Commission has pro-
23 vided a degree of latitude from its Rules. I concur with this and think it is appropri-
24 ate. Perhaps the allowed use of estimates and projections in an abbreviated rate fil-
25 ing could be made more clear.

26
27 However, I am disappointed that the filing of an abbreviated case precluded Provi-
28 dence Water from addressing critical rate design issues.

¹ Based on reports, I understand that this request will be reduced.

- 1 1. In Providence Water’s last case (Docket 3832), the interveners raised the
2 issue of the allocation of lost and unaccounted for water. We proposed a
3 methodology that had been endorsed by the AWWA and considered leaks
4 from retail service pipes. Application of that methodology² would have re-
5 sult in a lesser increase to the wholesale customers. The Commission’s
6 Report and Order in Docket 3832 (page 78) stated “in the next case, Prov-
7 idence Water is directed to also consider whether there is another metho-
8 dology that would more accurately allocate lost and unaccounted for wa-
9 ter.” In response to KCWA 1-1 Providence Water states that because an
10 abbreviated case was filed no changes were considered. By failing to in-
11 corporate the newly approved methodology and consider a new rate de-
12 sign or cost allocation, the increase to wholesale customers is more than it
13 should be. In effect, the choice to file an abbreviated case precluded a
14 correction in the cost allocation that would benefit the wholesale custom-
15 ers.
- 16 2. In Docket 3832 the Commission also ordered that Providence Water file a
17 rate proposal on or before July 1, 2009 which includes proposed conser-
18 vation rates. My understanding was that this was to be part of Providence
19 Water’s next rate filing, not a separate filing as was done in this case.
20 Again the filing of an abbreviated case that prohibits substantial changes
21 in rate design apparently precluded the conservation rates being consi-
22 dered as part of this docket.
- 23 3. The largest single item of increase is the IFR costs. Under Rhode Island’s
24 Clean Water Infrastructure Act, IFR costs are to be recovered based on
25 use and not through fixed charges. The across the board increase neces-
26 sitated by an abbreviated filing apparently precludes this from being con-
27 sidered. The May 14, 2007 IFR Update (attachment 2 to KCWA 1-11)
28 shows that the lead service replacement costs amount to nearly 29% of

² Subsequently approved by the Commission in Docket 3945 page 10.

1 the total IFR costs for 2010 and that all distribution costs amount to nearly
2 40% of the 2010 IFR costs. None of these costs are associated with
3 wholesale customers. With the across the board increase under the pro-
4 posed abbreviated filing, wholesale customers pay for approximately 28%
5 of all increases.

6
7 In light of this, I suggest that the Commission require Providence Water to file a full
8 rate case (not an abbreviated case) in its next filing, and require that the issue of
9 lost and unaccounted for water be specifically addressed.

10
11 **Q: You noted that Providence Water's largest request is for its proposed IFR**
12 **funding. Will you comment on this?**

13 A: In this docket, Providence is asking for an increase in IFR funding of \$2.1 million for
14 a total rate year request of \$16 million (HJS-3).

15
16 Under RIGL 46-15.6-6(e) of Rhode Island's Clean Water Infrastructure Act, the Pub-
17 lic Utility Commission "shall allow the water supplier to add this required funding to
18 its rate base". The costs to be allowed are to be based on the approved plan sub-
19 mitted to the Department of Health.

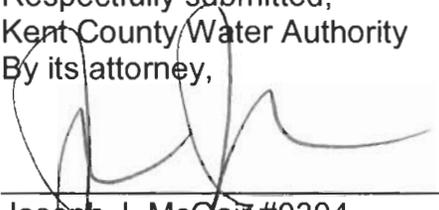
20
21 Attachment 1 to KCWA 1-11 includes Providence Water's Infrastructure Replace-
22 ment Plan for 2006-2025. Attachment 2 to KCWA 1-11 includes an amendment
23 filed with the Department of Health on May 14, 2007.

24
25 The updated plan (May 14, 2007 – attachment 2 to KCWA 1-11) presents documen-
26 tation and backup that supports Providence Water's request for IFR funding. I be-
27 lieve the Commission should allow this based on the language in Rhode Island's
28 Clean Water Infrastructure Act.

1 **Q: Does this conclude your testimony?**

2 **A: Yes.**

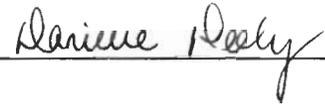
Respectfully submitted,
Kent County Water Authority
By its attorney,



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CERTIFICATE OF SERVICE

In accordance with Rule 1.7D of the Rules of Practice and Procedure of the Public Utilities Commission, I hereby certify that on the 17th day of July, 2009, a copy of the within was mailed electronically to the attached service list.



**Docket No. 4061 - Providence Water Supply Board – Rate Application
Service List updated 5/20/09**

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